

# **The Rental Housing Conversion & Sale Act of 1980**

**Part I: Tenants' Opportunity to Purchase**

**Part II: Conversion of Rental Housing to  
Condominium or Cooperative**

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# Part I: Tenants' Opportunity to Purchase

When an owner wants to sell or transfer her/his property, the Act outlines the types of notice the owner must give to the tenants and the timeframes for delivery.

## What Is a Sale?

A sale is a written agreement that assigns, leases, or mortgages the property by:

- ❑ Transferring ownership; or
- ❑ Giving an option to purchase and applying all lease payments toward the purchase price; or
- ❑ Assigning all the owner's rights in contracts relating to the property such as insurance or property management; or
- ❑ Requiring a party renting the property to pay taxes and governmental charges; or
- ❑ Requiring the party leasing the property to maintain insurance policies naming the owner as an additional insured.

## What is a Notice of Transfer?

If the owner decides to transfer the title to the property or an economic interest in the company that owns the property, but claims the transaction is not a sale; the owner must give each tenant a Notice of Transfer. The landlord must:

- ❑ Deliver the Notice to all tenants at least **90 days** before the proposed transfer;
- ❑ Describe the proposed transaction and state whether the transaction may be exempt from the tenants' rights requirements of the 1980 Act; and
- ❑ File the Notice with the Condo Office.
- ❑ Tenants may contest the transfer by filing an Intent to File a Petition for Declaratory Relief.
- ❑ The Intent Notice must be filed with the Condo Office within **30 days** if the owner claims an exemption or **45 days** if no exemption is claimed.
- ❑ Tenants must file the Petition for Declaratory Relief no later than **30 days** after the Intent Notice.

## What is an Offer of Sale?

Before an owner may sell to another party, demolish, or discontinue the housing use; the owner must provide each tenant with an offer of sale that includes the following:

- ❑ A statement of the asking price and terms;
- ❑ A statement of tenants' rights and sources of technical assistance;
- ❑ A statement of whether the owner has a contract to sell the building to another person or group (i.e., a third party contract); and
- ❑ A statement from the owner including:
  - The floor plan (if there is none available, the owner must say so); and
  - A list of operating expenses and utility consumption rates; and
  - Expenditures for the past 2 calendar years; and
  - The most recent rent roll; and
  - A list of tenants; and
  - A list of all vacant apartments.

The owner must provide these materials within **7 days** of the tenant's request. A copy of the Offer of Sale must be filed with the Condo Office.

## What is the Purchase Process?

There are 3 stages in the purchase process of a rental building:

**(1) The Registration Stage**

- Tenants must register their interest in purchasing the property.

**(2) The Negotiation Stage**

- The parties negotiate the price and terms of the contract.

**(3) The Contract Stage**

- The contract is signed; the tenant looks for financing; and the settlement date is decided.

The timing requirement for each stage of the process depends on how large the building is: a single family dwelling, a building with 2 -4 apartment units, or a building with 5 or more apartment units.

### (1) Registration Stage

□ Single Family Dwelling

- A tenant has **30 days** to deliver the owner and the Condo Branch a written statement of interest in purchasing.

□ Buildings with 2-4 Units

- A group of tenants (formal organization not required) have **15 days** to deliver the owner and the Condo Branch a written statement of interest in purchasing.
- If the group of tenants does not deliver a statement of interest, then an individual tenant has **7 days** to deliver the owner and the Condo Branch a written statement of interest in purchasing.

□ Buildings with 5 or more Units

- Tenants cannot purchase unless they are organized into an incorporated tenant association.
- The tenant association must represent a majority of the heads of households in the building.
- When determining if the association represents a majority of tenants, persons who have worked for the owner in the last 120 days or have lived in the building less than 90 day as are not counted toward the majority.
- An existing tenant organization has **30 days** to deliver the owner and the Condo Branch a written statement of interest in purchasing.
- If there is no tenant association, the tenants have **45 days** from the date of the offer of sale to organize and incorporate. The association must deliver its application of registration to the owner and the Condo Office.
- An application includes the names and contact information of tenant officers and legal counsel (if any), a copy of the filed articles of incorporation, a copy of the filed bylaws, and documentation that the organization represents at least a majority of the occupied units at the time of registration.

## (2) Negotiation Stage

The minimum periods for the negotiation of the contract are as follows:

- Single Family Dwelling
  - Not less than **60 days**
  - A total of  $30+60=90$  days from the date of the written statement of interest
- Buildings with 2-4 Units
  - Not less than **90 days**
  - If the tenant association does not negotiate a contract during this time, the owner must give individual tenants an additional 30 days for a total of  $30+90=120$  days
- Buildings with 5 or more Units
  - Not less than **120 days**

### Important Points to Remember:

- The negotiation period is extended 1 day for each day the owner fails to deliver the required information.
- The negotiation period can also be extended by 15 days if the owner enters into a purchase contract with a third party before or during the negotiation period.
- Tenants and owner are required to bargain in good faith. Examples of not bargaining in good faith include:
  - Owner offers to sell to a third party at a lower price (10% or more) than the price offered to the tenants.
  - Owner requires the tenants to prove ability to purchase before entering into a contract.
  - An owner may, however, require that a tenant (or with a co-signor) have financial parity with the 3<sup>rd</sup> party purchaser before the owner is required to extend deferred purchase money financing on the same terms and conditions the owner set up with the 3<sup>rd</sup> party purchaser.
  - Proof cannot be a prerequisite to contracting; only a prerequisite to providing deferred purchase money financing.
  - It is customary for purchasers to pay sellers a deposit upon signing the contract for sale. The owner cannot require a deposit that is more than 5% of the agreed purchase price. If the tenant fails to purchase after making good faith efforts, the owner must return the entire deposit.

### (3) Contract Stage

After the contract has been signed, the next step is acquiring financing and purchasing the unit. The minimum settlement periods are as follows:

- ❑ Single Family Dwelling
  - Not less than **60 days** but can be extended to 90 days.
- ❑ Buildings with 2-4 Units
  - Not less than **90 days** but can be extended to 120 days
- ❑ Buildings with 5 or more Units
  - **120 days** in general
  - However, if the tenant association's purpose is to convert the building to a limited cooperative then not less than **180 days** but can be extended to 240 days

The aforementioned time periods can be extended with a letter from a lender stating that they will make a decision within the additional time period.

### The Right of First Refusal

- ❑ In addition to the first right to purchase, tenants also have a right of first refusal.
- ❑ Tenants have a right to match any contract for sale between the owner and a third party.
- ❑ The law gives tenants **15 days** to match the contract offer.
- ❑ If the owner gives the tenants the contract during or before the negotiation period, 15 days are added to the end of the negotiation period.
- ❑ If the tenants receive the contract after their rights expired, they will only have 15 days to respond.

## **The Start Over Period**

If the owner does not enter into a contract with anyone else within the specified period of days after the offer is made to the tenants, the owner must start over. This means the owner must offer the building to the tenants again and comply with the time periods. The time periods after which the owner must start over are as follows:

- ❑ Single Family Dwelling
  - After **180 days**
- ❑ Buildings with 2-4 Units
  - After **240 days**
- ❑ Buildings with 5 or more Units
  - After **360 days**

## **Waiver of Rights**

- ❑ A tenant cannot waive the right to receive the Offer of Sale.
- ❑ The owner must give the tenant an Offer of Sale even if the tenant agrees she/he will not buy the unit.
- ❑ Owners cannot require tenants to waive other rights under the Act, in a lease or otherwise, although tenants may bargain over these rights.

## **Assignments**

- ❑ Instead of purchasing the building themselves, a tenant can sell her/his rights to other groups.
- ❑ A tenant or tenant association can use their rights to negotiate better building conditions, impose limits on rent increases, or negotiate other benefits.
- ❑ A tenant may assign or sell her/his rights to any party, whether private or governmental.
- ❑ The exercise, assignment, or sale of the tenant rights may be for any consideration which the tenant finds acceptable in her/his sole discretion.
- ❑ The tenant may exercise, assign or sell her/his rights anytime during the process.

## Part II: Conversion of Rental Housing into a Condominium or Cooperative

The Act protects tenants when an owner intends to convert rental housing into a condominium or cooperative. Before the owner may convert the property, she/he must ask for the tenants' approval.

- ❑ If 51% of the heads of households vote in favor of the conversion, the owner may convert the property.
- ❑ Only an owner may convert a property.
- ❑ If the owner issues a notice to vacate for the immediate purpose of discontinuing the housing use and occupancy of rental property, she/he may **not** request a tenant election to convert.

### Protected Tenants

- ❑ Low income elderly tenants and low income disabled tenants are protected under the law.
- ❑ These tenants may not be evicted without cause. Cause is: nonpayment of rent or committing an unlawful act in the unit.

### Protected Status Qualifications

- ❑ An elderly tenant must be 62 years or older at the time of the tenant election and have a low income.
- ❑ Disabled tenants must qualify as disabled under the Americans with Disabilities Act and have a low income.

### Converting the Housing Accommodation

- ❑ The owner must give each tenant a written Notice of Intent to Convert by first class mail
- ❑ This Notice must be posted in conspicuous common areas in the building.
- ❑ The owner must send a copy of the Notice to the Condo Office.

### The Notice of Intent to Convert Must

- ❑ Include information on tenants' rights and technical assistance;
- ❑ Be given in English and in Spanish (if Spanish is the tenant's primary language); and
- ❑ List voter qualifications and disqualifications.



## Tenant Election

Tenants decide whether to allow the owner to convert the property by voting in a tenant election.

- ❑ The election must take place within **60 days** after receiving the owner's notice.
- ❑ If the election does not take place, the tenants lose their right to decide whether the property may be converted.

## Voter Eligibility

Only the heads of a household may vote in a tenant election. Ineligible voters include:

- ❑ A tenant who has not lived in the building for **90 days** prior to the election; or
- ❑ A tenant who worked for the building's owner **120 days** before the election; or
- ❑ A tenant with a low income who is 62 years or older at the time of the election; or
- ❑ A tenant with a low income who is disabled at the time of the election.

## Tenant Associations

Within **30 days** of the owner's request, the tenants must form a tenant association. The tenant association distributes and posts notices and organizes and coordinates the tenant election.

## Election Procedures & Timeframes

The tenant association must provide a notice of election to each tenant, to the owner, and to the Condo Office by first class mail. The association must also post the notice in conspicuous areas in the building.

- ❑ The Election Notice must include
  - The date and time of the election;
  - A summary of the tenants' rights and obligations;
  - A list of voter qualifications and disqualifications; and
  - Sources of technical assistance.
- ❑ The tenant association should contact the Condo Office before scheduling an election.
- ❑ If a tenant association does not exist or they do not give a Notice of Election, the owner or a tenant may request that the Condo Office conduct the election.
- ❑ The election must be held within **60 days** of the date of the owner's Notice of Intent to Convert.
- ❑ The Office of Tenant Advocate must be notified of all elections.
- ❑ If an election is not held, the conversion will be approved without an election.
- ❑ Tenants must complete a voter qualification form and send the forms to the Condo Office at least **7 days** before the election.
- ❑ The Condo Office staff will review the forms and determine which tenants are qualified to vote and prepare a list of eligible voters.
- ❑ Elderly tenants with a low income or disabled tenants with a low income may waive their protected status by signing a Waiver Form. She/he will be allowed to vote but will lose the right to remain in her/his unit if the building is converted.

## **Conducting the Election**

The Condo Office prefers to hold the election by absentee ballot. Tenants deliver or mail their ballots to the Condo Office before the election date. At the appointed time, the ballots are opened and tallied. After the election, the Condo Office notifies the owner and tenant association of the results. The results must be posted in the building in conspicuous areas. The option that receives 51% of the votes is declared the winner.

## **COERCION IS STRICTLY PROHIBITED**

Election results will be invalidated if there is evidence of fraud or coercion on the part of any owner, tenant association member, or any other party.

Coercion includes:

- Knowingly distributing false information;
- Frequent calls or visits despite objections;
- Threats of retaliation (like increasing rent);
- Decreasing of services;
- Increasing lease obligations;
- Violations of privacy; or
- Refusing to renew a lease.

## Notice of Intent to Convert

The owner converts the property by providing tenants with a 120 Day Notice of Intent to Convert.

- ❑ The notice may be delivered by hand (if a condominium) or first class mail and must be posted in conspicuous areas in the building.
- ❑ During the first **60 days** of the Notice period, each tenant has the exclusive right to contract for the purchase of the apartment.
- ❑ If the tenant does not wish to purchase, then during the second 60 days, any subtenant has the exclusive right to contract for the purchase of the apartment.
- ❑ For condominiums, the 120 Day Notice of Intent to Convert may specify a date by which the apartment may be vacated if the tenant chooses not to purchase.
- ❑ The date to vacate must be no sooner than **120 days** from the date of the Notice of Intent to Convert and the tenant must have received a full **60 days** to contract for purchase.
- ❑ Notices for cooperative conversions or condominium conversions that do not include a date to vacate allow the owner to give a Notice to Vacate within **90 days** after the tenant received the 120 Day Notice of Intent to Convert or after the expiration of the **60 days** right to purchase, whichever is later.

## Relocation Assistance

The owner must pay relocation assistance to tenants displaced by the conversion. Housing Assistance Payments are available from the City for displaced tenants. The owner must pay:

- \$125-\$500 for each tenant who does not purchase and provides proof of relocation expenses (a receipt or cost estimate)

Need More Information?

If you have questions or need copies of forms call:

The Condo Branch/Office of the Rent Administrator at (202) 442-4477  
or

The Office of the Tenant Advocate at (202) 442-8359